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FARMERS' NEWSLETTER

Feed Grains



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Supply-Demand Situation Tightening; Higher Prices Likely

Several important indicators point to rising feed grain prices over the next few months. Although the weather will play its usual price-making role this spring and summer, the following factors suggest some price strength:

- Feed grain acreage, based on intentions, will be reduced slightly from last year's level--mostly due to higher acreage for soybeans, sunflowers, and wheat.

- Last year's extremely favorable growing season weather, both at home and abroad, is not likely to be repeated, so 1979 feed grain yields will probably fall short of 1978's record level.

- Domestic demand is rising because of the higher margins of feeding operations over the past 2 years.

- Exports should exceed this year's record volume.

Current market prices show the effects of the tightening supply situation. Bids for harvest delivery of 1979-crop corn in the Midwest have been running about 10 cents above bids for spot delivery of old-crop.

And futures prices indicate that, in most areas, bids for January

1980 corn should be an additional 15 to 20 cents over the bids delivery at harvest.

Will this price strength continue through summer? That will depend on how well U.S. and foreign feed grain crops turn out. If the weather is as favorable as it was last year, you'll

CORN BALANCE SHEET

Item	1977/78 Prelim.	1978/79 Estimated	1979/80 Projected ¹	
			Alt. I	Alt. II
Area			Million acres	
Planted	83.6	79.7		
Harvested	70.9	70.0		
			Bushels	
Yield per harvested unit	90.7	101.2		
			Million bushels	
Beginning stocks ..	884	1,104	1,562	1,562
Production	6,425	7,082	7,000	5,800
Imports	3	1	1	1
Supply, total	7,312	8,187	8,563	7,363
Feed	3,709	4,100	4,400	3,900
Food, seed, and industrial	551	575	600	580
Domestic total .	4,260	4,675	5,000	4,480
Exports	1,948	1,950	1,950	2,200
Use, total	6,208	6,625	6,950	6,680
Ending stocks	1,104	1,562	1,613	683
Avg. farm price ² ..	2.02	2.11	2.10-2.20	2.75-3.00

¹ Alternative I assumes relatively favorable production conditions worldwide; Alternative II assumes relatively unfavorable production conditions worldwide. ² Season average farm price, dollars per bushel.

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Principal contributor to this issue:
Thomas E. Elam (202) 447 8636

and weathering in seedling prices, just as in 1978 when a record-large feed grain crop was harvested despite a late planting season. Prices could fall to near this season's level if the weather were to be near ideal again.

On the other hand, generally unfavorable growing conditions would very likely lead to stronger prices than those currently offered.

Feed Use Up Sharply

Despite the cyclical downturn in cattle numbers, farmers have sharply stepped up feed use of corn and other feed grains. For the most part, this large demand is the result of much higher livestock and poultry prices along with pretty stable feed prices.

With higher livestock prices, increased feeding margins, and, thus, more animals on feed, more feed grains are required to meet prospective needs. Feed use this season will likely rise about 10 percent from last year,

APRIL FEED GRAIN INTENTIONS CLOSE TO ACTUAL PLANTINGS

MILLION ACRES



Prior to 1976, March intentions.

primarily reflecting more hogs and broilers being fed.

This increased demand has been a key factor in supporting corn prices, and the trend toward higher feed use likely will continue. In the year ahead, livestock prices and, thus, feeding profitabilities, likely will be supported by continued growth in consumer income.

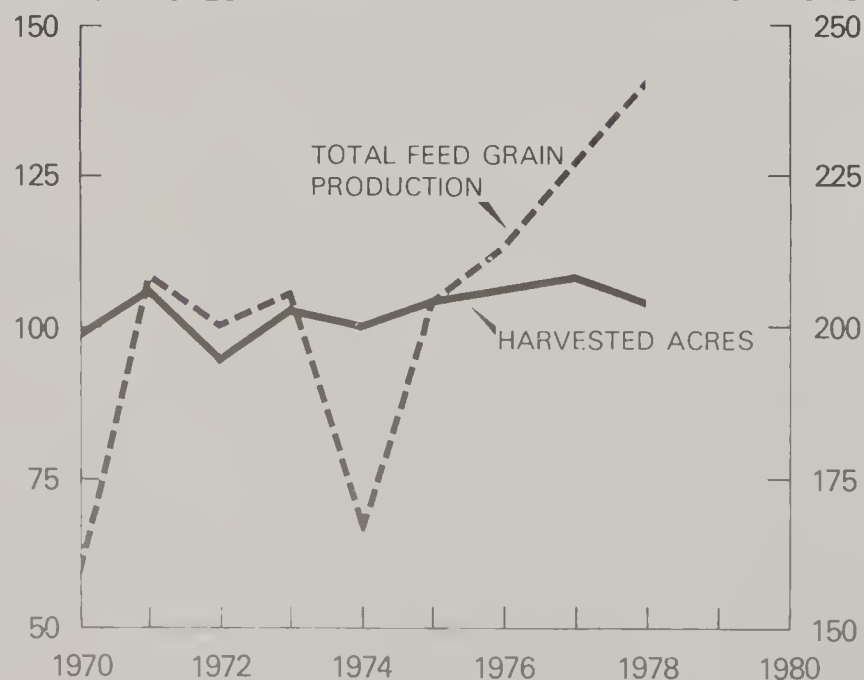
Although farmers are gearing up for expanded pork output, livestock and poultry prices are expected to hold at levels that will give producers favorable returns. And this will support further increases in feed demand.

Only an unusually unfavorable growing season here and abroad would push grain prices up enough to cut feed use significantly. It would be possible for corn prices to rise towards the \$3.00-per-bushel level before feeding margins would be pinched enough to really choke off feeding.

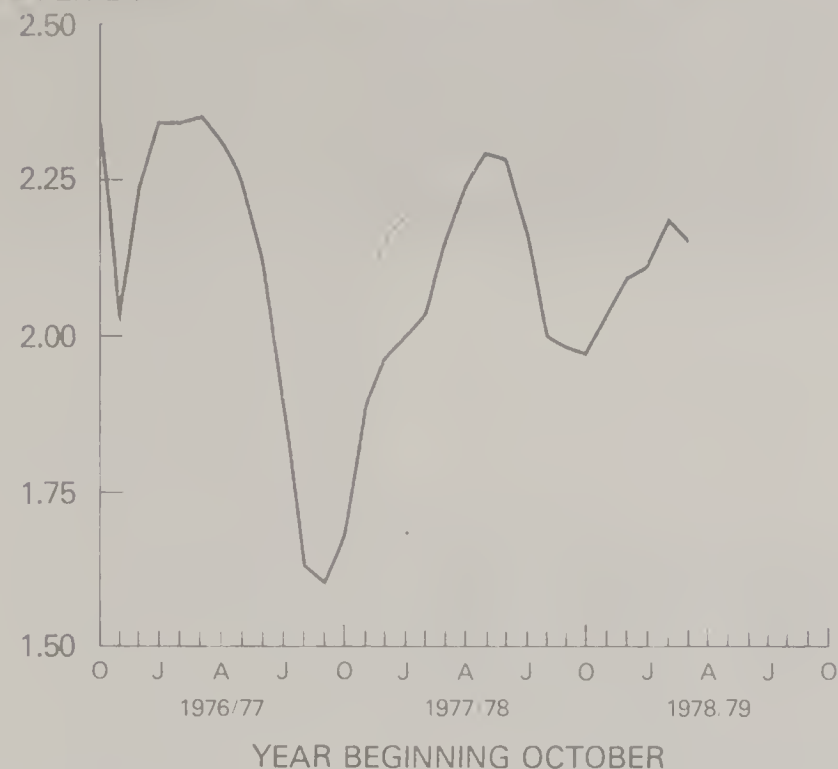
RIISING PRODUCTION TREND

MILLION ACRES

MILLION TONS



PER BU



Corn Exports May Increase

In spite of a record-large world feed grain crop in 1978, our corn shipments abroad likely will match or exceed the record level of a year ago. Export demand is continuing to grow--mostly due to increasing incomes and better diets in countries importing U.S. grains.

China's entry into the world feed grain market has also helped expand the export market for U.S. corn this season.

This export growth is expected to continue. In fact, there is a fairly good chance that corn exports in the upcoming marketing year could exceed 2 billion bushels for the first time in history.

Reserves Stabilized

Farmer-owned and Commodity Credit Corporation (CCC) stocks of reserve feed grains have stabilized at around 25 million metric tons.

The largest part of the reserve

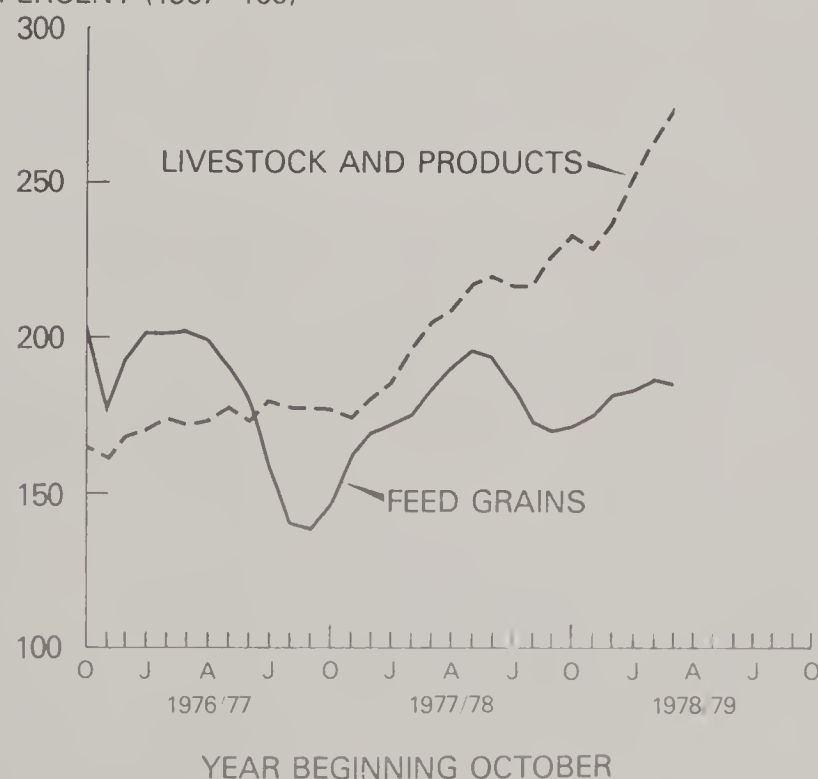
is the 18.8 million tons (738 million bushels) in the farmer-owned corn reserve. In addition, another 2.3 million tons (91 million bushels) are in the CCC inventory. These reserves represent a little over 50 percent of the projected stocks of corn on September 30, the end of the current marketing year.

Since early prospects are for a tighter feed grain situation in coming months, USDA has announced that no more 1978-crop corn and sorghum will be accepted into the farmer-owned reserve. As a result, the reserves should remain near their current level unless prices advance to the release point, 125 percent of the national loan rate.

A small portion of the feed grain reserve--the 42 million bushels of the farmer-owned reserve oats--was released for sale on March 12. On that date the indicated average farm price exceeded the \$1.29-per-bushel release level.

FEED GRAIN PRICES FAIL TO MATCH RISE IN LIVESTOCK PRICES

PERCENT (1967=100)



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Release was authorized to continue until the April 30 Agricultural Prices report was issued. At that time, the average farm price was reported to be \$1.27 per bushel, 2 cents below the release level. Thus, the release was cancelled.

Although prices declined slightly during the release period, negligible amounts of oats had been redeemed and sold. So it would appear that the price drop was the result of factors other than the availability of the reserve.

Check Grain Bins

The dramatic increase in the amount of grain stored on farms has been a major development in U.S. agriculture over the last decade. But with all of the benefits that go with keeping your grain on the farm, you also have the responsibility of maintaining quality.

As you know, with planting and other chores, the spring season

is a busy time--and there are just too few hours in the day to get everything done. But with the temperature and humidity on the rise over most of the country, now is also a good time to check on any grain you're holding back for sale, feeding, or the reserve program.

Experience indicates that most of the problems with grain stored on farms could be prevented by a routine inspection program to spot potential problems before they get out of hand, and this is the time of year that those problems crop up.

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